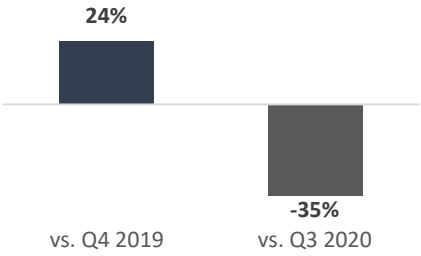
Year-end Report 1 October – 31 December 2020

"Today, we have announced the intention of filing a 510(k) application to the US FDA during 2021 for market approval for an Episealer® Patellofemoral System. This is an expansion of the clinical indications for using the Episealer® knee implants", says Pål Ryfors, CEO Episurf Medical.

Fourth quarter 2020 compared to 2019, Group

- Gross order intake amounted to SEK 1.3m (1.2), an increase of 9%. We experienced a 21% increase in orders for Episealer® implants during the quarter with 57 (47) approved orders. Compared to Q3 2020, we experienced a decrease in the gross order intake as renewed COVID-19 restrictions had a significant negative impact on the quarter
- Order backlog amounted to SEK 1.3m (1.1), an increase of 18%
- Total income of SEK 3.1m (1.4), a growth of 118% driven by licensing income
- Group net sales increased by 15% to SEK 1.5m (1.3)
- Loss for the period amounted to SEK -16.2m (-18.7); the improved result depends on income for µiFidelity® software platform during the quarter of SEK 1.5m, and that costs during the quarter decreased, which is mainly due to SEK 0.6m lower costs for the EPIC-Knee study and cost savings in connection with COVID-19
- Earnings per share amounted to SEK -0.08 (-0.21)

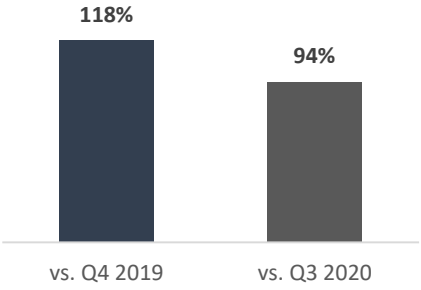
Growth in Q4, compared to Q4 2019 and Q3 2020 - Episealer® surgeries booked



Twelve months 2020 compared to twelve months 2019, Group

- Gross order intake amounted to SEK 5.6m (5.0) an increase of 11%
- 29% increase in orders for Episealer® implants during the financial year with 261 (202) approved orders
- Total income of SEK 7.0m (5.4), a growth of 30%
- Group net sales increased by 2% to SEK 5.0m (4.9) during the financial year
- Loss for the period amounted to SEK -63.9m (-69.8)
- Earnings per share amounted to SEK -0.39 (-1.04)

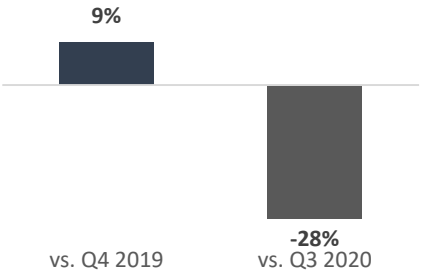
Growth in Q4, compared to Q4 2019 and Q3 2020 - Total income



Significant events during the fourth quarter

- Episurf Medical carried out a directed share issue and raised SEK 66m
- Episurf Medical entered into licensing agreement of SEK 1.5m for µiFidelity® software platform
- Episurf Medical entered into a distribution agreement for France and additional markets in Asia
- Episurf Medical entered into an advisory agreement with Prof. Doctor João Espregueria-Mendes regarding establishment of the Episealer® knee technology in India and Portugal
- Data showing high implant survival rate for Episealer® were accepted for publication
- The first Episealer® surgery was performed in the US, Asia and Scotland
- First Episealer® Talus surgery in Scandinavia performed
- Episurf Medical reached milestone of 900 approved implants

Growth in Q4, compared to Q3 2019 and Q2 2020 - Gross order intake



Significant events after the fourth quarter

- Episurf Medical announced its intention to file a 510(k) application in the US for an Episealer® Patellofemoral System
- First Episealer® Talus surgery in the Asia-Pacific region performed
- New patents approved in Hong Kong and US for Episurf Medical
- Episurf Medical entered into distribution agreement for Australia and New Zealand
- Episealer®: Clinical results with 5-years' follow-up data will be presented at the 3rd World Arthroplasty Congress

Message from the CEO

Dear shareholders,

Despite significant challenges for elective surgery caused by COVID-19, 2020 was a solid year for Episurf as the clinical work in Europe progressed. We have spoken about this on several occasions: A strong clinical foundation is a prerequisite for Episurf to succeed – and we are delivering. We also capitalized on other opportunities, such as a software licensing agreement that generated a one-time income of SEK 1.5m during the fourth quarter. We also developed a new product concept for the US market. More information about this later in this CEO statement.

Several publications came to fruition during 2020, showing significant clinical improvement for the patients treated with the Episealer® knee implant. During the fourth quarter, we also witnessed the publication of a study showing an implant survival rate of 96% up to seven years on a patient population of close to 700 patients. This data is exceptionally strong and supports our hypothesis that the Episealer® provides lasting results. There are currently three papers in the process of being published in medical journals. These are the results from the comparative study at the Charité University Hospital in Berlin, the Health Economic study from Linköping University, and the clinical follow-up of 5-7 years, performed at Arthro Clinic Sophiahemmet in Stockholm. This is evidence of a continued strong clinical pipeline.

What we are most looking forward to in 2021 is additional studies of mid- to long-term performance of the Episealer®. At the beginning of 2021, we announced that clinical results with five years follow-up would be presented at the World Arthroplasty Congress in April. According to the investigator, the results are very promising. A group of European orthopaedic surgeons have also decided to continue to follow a larger group of patients, with the ambition to publish the results in early 2022. This study is likely to contain approximately 50 patients with a minimum follow-up of five years. On the back of the strong clinical results we have seen over two years and the early results we have seen of five years, it is incredibly encouraging to look forward to a large study with 5-year data.

The EPIC-knee study, our clinical trial targeting a PMA-approval in the US (FDA approval), is ongoing in the US and Europe. It was challenging to start this trial in 2020. First, elective surgeries were kept at a minimum at most clinics during 2020. Moreover, hospitals and clinics stopped research activities. Add to this, patients' unwillingness to visit hospitals for non-emergency surgeries, even less, scheduled mandatory follow-up visits. This combination made patient recruitment very difficult. We instead used this time to learn and gather feedback from the investigators in the trial, and we will put all our efforts towards a successful recruitment pace during 2021. We are currently discussing a few, but important amendments to the clinical protocol with the FDA that should contribute positively to patient recruitment.

We are continuing our launch of the Episealer® Talus. Initial reports from the first surgeries performed during 2020 have been very positive, and we look forward to the continued roll-out of this product during 2021. Surgeons are very interested in this solution for cartilage and osteochondral lesions in the talar dome, and our solution is unique in the industry. This explains the great interest in our product that we are experiencing. Episealer® Talus surgeries have been performed, or are booked, in six countries already, but so far, only at a few specialist centers. We will continue to broaden the customer base in 2021, and the Episealer® Talus is, of course, included in our global regulatory strategy.

Today, we have announced the intention of filing a 510(k) application to the US FDA during 2021 for market approval for an Episealer® Patellofemoral System. This is an expansion of the clinical indications for using the Episealer® knee implants. Patients often present with a cartilage lesion on the patella. Depending on the severity of such lesion, it sometimes constitutes a so-called contraindication for using an Episealer®. If we could also treat these lesions, it expands our technology's use. Further, with such a product, we should gain 510(k) clearance for the US market, significantly shortening the time to the US market for our first product, which would be a significant strategic achievement. This is highly exciting, and we aim to file the 510(k) application this year.

We have continued to execute on our regulatory strategy. After the end of the quarter, we announced that we had entered into a distribution agreement for Australia and New Zealand. We are now working on regulatory registrations in those markets with our local partner. During the quarter, we also entered into an international advisory agreement with Prof. Doctor João Espregueira-Mendes, who is the Clinical Director of Clínica do Dragão - Espregueira-Mendes Sports Center, FIFA Medical Center of Excellence in Porto, Portugal. Doctor João Espregueira-Mendes will assist Episurf in establishing the Episealer® technology in India and Portugal. Working with Key Opinion Leaders on a global basis is a critical part of our strategy, and this serves as an excellent example of how we would like to conduct our business. Now, we must execute effectively in concert with one another.

During the fourth quarter, 57 Episealer® implants were ordered by our customers. Unfortunately, the positive trend from easing COVID-19 restrictions identified during the third quarter, was abruptly halted during Q4. In many cases, the restrictions enforced in the middle of the fourth quarter were even tougher than what we experienced during the spring of 2020. This has continued into Q1 2021. Over the short term, this obviously negatively impacts our sales numbers, but we expect a fast return to strong growth once restrictions begin to ease. During the fourth quarter, the operational cash flow was at its lowest level for many years (SEK -11.8m), and compared to Q4 2019, the financial result improved by SEK 2.5m. We also executed a directed issue during the fourth quarter, raising SEK 66m before transaction costs. We are pleased with the outcome of the directed issue, and we are grateful for the support that investors have shown.

We are in the early stages of our commercialization, and we are just beginning to market our technology with the support of clinical evidence. However, it is comforting to see that despite the challenges caused by COVID-19, the efficiency experienced with established customers in Germany is strong. During 2020, our customers in Germany ordered on average 7 Episealer® implants. Remember that this figure is diluted by surgeons evaluating the technology and performing very few surgeries. This figure is several times higher than the corresponding figure in other countries where we currently are present, indicating a significant opportunity to scale up.

2021 is a critical year, and we must ensure that we execute our strategy with great discipline. We are targeting several important clinical and regulatory milestones during the year. In parallel, our early commercial efforts continue at full speed.

Episurf Medical undertook a difficult task when the company set out to change the treatment algorithm for knee surgery, the largest segment within orthopaedics. We have come a long way, and the commercial opportunity is significant. The addition of the Episealer® Talus and the Episealer® Patellofemoral System broadens the available market. We are continually reviewing new applications for our technology platform. We are preferentially targeting indications for which we could develop products with a shorter time to market and relatively fast regulatory pathways. The extremities segment is the fastest-growing segment within orthopaedics, and we have identified several exciting opportunities.

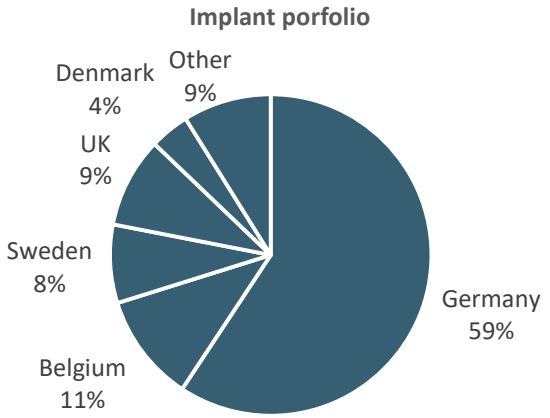
Much like society in large, the orthopaedic industry is evolving as digitalisation and new technologies enable improvements in treatment alternatives. However, it is important to remember that regardless of advancements in robotics, improved surgeon education and technical support tools, it all comes down to an implant. A durable implant that functions well in the human body, under tough conditions, for a very long time. That is the Episealer® implant. We are on the right track, and we are creating a foundation for growth, with regulatory approvals globally and strong clinical results.

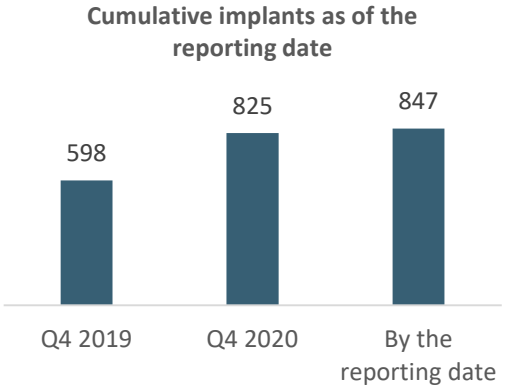
Stockholm, February 2021

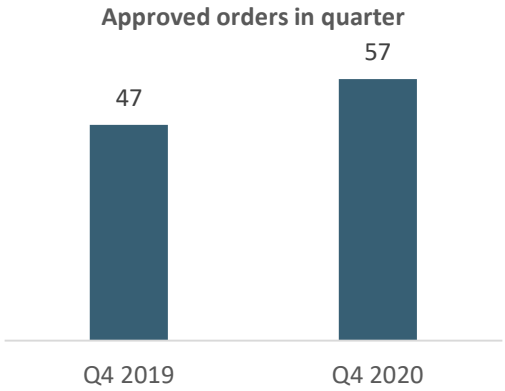
Pål Ryfors

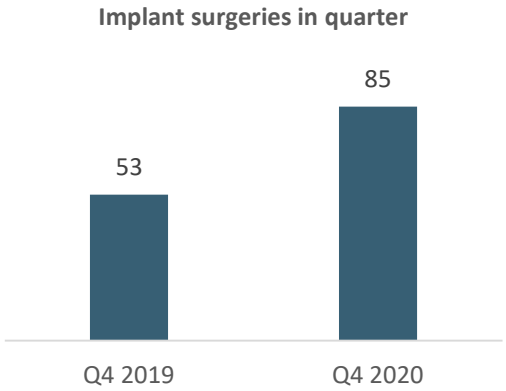
Business update and forward-looking statements

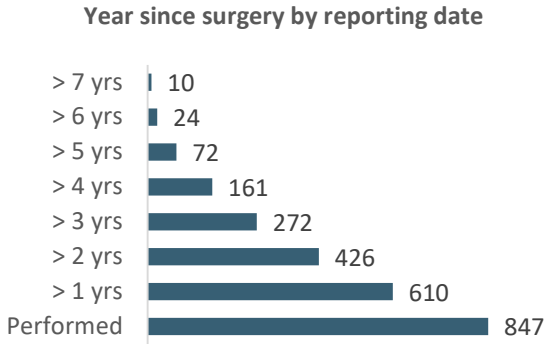
By the reporting date on February 19, 2021, Episurf Medical's implants had been used in 847 surgeries. Another 94 orders are approved for surgery. Episurf Medical's patients are experiencing significant improvements in pain and mobility. Furthermore, they are also experiencing a short recovery time. Out of the total implant portfolio of 847 implants, we now have 161 patients who have had their implants for more than 4 years and 426 patients have now had their implants for more than 2 years since the surgery date. During the fourth quarter, 85 surgeries were performed with the Episealer® knee implant. 57 orders were approved for surgery during the fourth quarter.











As of the reporting date, 847 surgeries have been performed with the Episealer® implant and 272 patients have had their implant for more than 3 years and 426 patients have had the implant for more than 2 years since surgery.

Financial information

Group

Net sales and operating profit/loss
Group net sales amounted to SEK 1.5m (1.3) in the quarter and SEK 5.0m (4.9) for the financial year. During the fourth quarter, the Group have had a non-recurring income from a license agreement of SEK 1.5m for the µiFidelity® software platform. Loss before tax amounted to SEK -16.2m (-18.7) for the quarter and SEK -63.9m (-69.8) for the financial year. Other expenses amounted to SEK -8.8m (-10.8) in the quarter and SEK -33.5m (-39.7) for the financial year. The decreased costs for the quarter is mainly due to SEK 0.6m lower cost for the EPIC-Knee study and cost savings in connection with COVID-19. The cost for the EPIC-Knee study in US amounts to SEK 3.7m (4.3) during the quarter.

Financial position
Group cash and cash equivalents at end of period amounted to SEK 155.0m (25.3).
The equity ratio was 91.4% (71.9). Group investments in intangible assets amounted to SEK 1.0m (1.4) for the quarter of which SEK 0.2m (0.1) are related to capitalised development costs and for the financial year investments in intangible assets amounted to SEK 4.6m (5.5), of which SEK 1.1m (1.1) are related to capitalised development costs, remaining investments relates to patents. No significant investments have been made in tangible assets during the quarter and the financial year of 2020 or 2019.

Human resources
Number of employees in the Group at end of the period was 25 (25).

Parent Company

Net sales and operating profit/loss
Net sales amounted to SEK 0.2m (0.1) in the quarter and for the financial year to SEK 0.5m (0.6). During the fourth quarter, the Parent Company have had a non-recurring income from a license agreement of SEK 1.5m for the µiFidelity® software platform. Loss before tax amounted to SEK -9.2m (-11.1) in the quarter and SEK -36.8m (-40.9) for the financial year. Other expenses amounted to SEK -6.3m (-7.3) in the quarter and SEK -23.8m (-26.5) for the financial year. The decreased cost for the quarter is mainly due to SEK 0.6m lower cost for the EPIC-Knee study and cost savings in connection with COVID-19.

Financial position
Cash and cash equivalents at the end of the period for the Parent Company amounted to SEK 134.8m (18.1). The equity ratio was 97.7% (96.2). Investments in intangible assets, capitalised development costs, amounted to SEK 0.2m (0.1) for the quarter and SEK 1.1m (1.1) for the financial year. No significant investments have been made in tangible assets during the quarter and the financial year of 2020 or 2019.

Human resources
Number of employees in the Parent Company at end of the period was 13 (12).

Completed issues during the year

Directed share issue during the first six months
During the first six months of 2020, Episurf Medical conducted a directed share issue. The directed share issue was aimed at a limited number of institutional investors, including the Fourth Swedish National Pension Fund, Nyenburgh Investment Partners, Rhenman Partners Asset Management, and Strand Kapitalförvaltning Fonder. The subscription price per share was SEK 1.50, and the company was allocated a total of SEK 90m before deduction for issue costs. Through the directed issue, the company's shares increased by 59,999,998 B-shares, and the company's share capital increased by SEK 18,015,235.69.

Rights issue during the first six months
During the first six months of 2020, Episurf Medical completed a rights issue with a subscription period from March 19 to April 2, 2020. The new B-shares were issued for SEK 1.50 per share. The company reported the outcome on April 7, 2020, and it showed that 13,884,906 shares corresponding to approximately 40.7 percent of the rights issue were subscribed for by the exercise of subscription rights (including subscription undertakings). In addition, 918,363 shares were subscribed without subscription rights, corresponding to approximately 2.7 percent of the rights issue. 19,295,764 shares, corresponding to approximately 56.5 percent of the issue, were subscribed for by guarantors. Through the rights issue, Episurf Medical received approximately SEK 51m before the deduction of costs related to the rights issue. Through the rights issue, the company's shares increased by 34,099,033 B-shares, and the company's share capital increased by SEK 10,238,368.77.

Directed share issue during the fourth quarter
During the fourth quarter, Episurf Medical conducted a directed share issue. The directed share issue was aimed at a limited number of strategic and institutional investors, including the Second Swedish National Pension Fund, the Fourth Swedish National Pension Fund, Nyenburgh Holding, Primas Invest, Rhenman & Partners, Strand Kapitalförvaltning, the Third Swedish National Pension Fund, and Unionen. The subscription price per share was SEK 1.80, and the company was allocated a total of SEK 66m before deduction for issue costs. Through the directed issue, the company's shares increased by 36,811,000 B-shares, and the company's share capital increased by SEK 11,052,647.52.

Warrants
During the period a number of warrants was issued to employees within the group.

Effects of the COVID-19 pandemic
The outbreak of COVID-19 has affected people and companies all over the world, and Episurf closely monitors the development and effects of the pandemic as well as following the guidelines put forth by local authorities. The following paragraphs provide more detailed information on how the Group is affected by COVID-19.

Episealer® orders and revenue
During the year, Episurf Medical had higher net sales compared to 2019. Healthcare has focused on COVID-19 instead of elective surgery, which has affected the company's ability to grow during the year. The company's inflow of approved orders has been significantly affected during the financial year, but the exact impact is difficult to estimate. The company assesses that there will be a recovery in 2021.

Government support/Organisation
Episurf Medical had executed short term layoffs in certain parts of the organisation during the financial year. The financial impact has been reported as it is deemed that all conditions have been met. The total amount stated in the income statement is SEK 0.5m during the financial year. In addition to government grants, the company initiated cost-saving measures throughout the organisation.

Production
Episurf Medical has maintained an ongoing dialogue with our suppliers to avoid delays in deliveries, and up until this point in time, we haven't experienced any noticeable effects on our production process. Our assessment is that there will not be a significant impact during the first quarter 2021 either.

Clinical studies
Episurf Medical has had several studies published during the financial year, and the company assesses that other studies have been negatively impacted by COVID-19.

Geographic expansion
Episurf Medical's largest market continues to be Germany; however, during the financial year, the company carried out and planned operations in new countries such as Italy, France, Poland, and the US. The company

assesses that expansion towards new countries may be somewhat delayed, but the company still has a good pace ahead.

Digitalisation
Episurf Medical continuously works to improve the digital environment, both internally and externally with our counterparts. Our assessment is that the COVID-19 pandemic has affected digitalisation in a positive direction and that this will have beneficial outcomes going forward.

Transactions with closely related parties
Shareholder and Board member Leif Ryd has received consulting fees for ongoing work as well as work for the Clinical Advisory Board during the period of SEK 0.6m (0.7). Shareholder and Board member Wilder Fulford has received consulting fees for ongoing projects of SEK 0.7m (0.4).

Rounding
Due to rounding, the sum of numbers may differ.

Financing Agreement
During 2018, a financing agreement with European Select Growth Opportunities Fund ("ESGOF") was entered into. The agreement provided the company with access to SEK 70m over a 36-month period in the form of convertible debt securities divided into a number of tranches. The Company has used one tranche of SEK 7m and all convertible debentures were converted during 2018 and 2019. The Company terminated the agreement during 2019. In connection with the used tranche of convertibles, warrants were also issued to ESGOF and existing shareholders.

Main characteristics of the warrants issued to ESGOF
» ESGOF and existing shareholders received warrants without further remuneration.
» The warrants have a term of five (5) years from the date of the registration of their issuance with the Swedish Companies Registration Office. Each warrant gives right to subscribe for one (1) new share (subject to standard adjustments in accordance with the terms and conditions of the warrants) in Episurf Medical at a fixed strike price representing a 120 % premium to the reference price on the date of the request from Episurf Medical to issue a tranche.

Use of convertibles and warrants
» The first and only tranche was conducted in the second quarter of 2018 as a targeted issue of SEK 7m through the issuance of 140 convertibles of 573,770 associated warrants to ESGOF. In connection with this, 1,131,462 warrants were also issued to the shareholders. All warrants have a redeeming price of SEK 6.10. Which has been adjusted in connection with the rights issue that was carried out during 2019 to 1.40 according to current conditions. See table below for follow-up of number of outstanding and utilised convertibles and warrants.

Convertibles

Tranches	Amount before costs	Date	Number of notes	Number utilised	Number of outstanding notes
KV1	SEK 7m	2018-05-23	140	140	-

Warrants

Tranche	Registration date	Term to maturity	Strike price	Number of warrants outstanding	Number of utilised	Number outstanding
KV1/TO4B	2018-05-23	5 year	1.40*	1,705,232	199,756	1,505,476

***** Has been adjusted based on calculation in the terms and conditions of the warrants in connection with the rights issue during the second quarter 2019, the rights issue 2020 does not entail any adjustments.

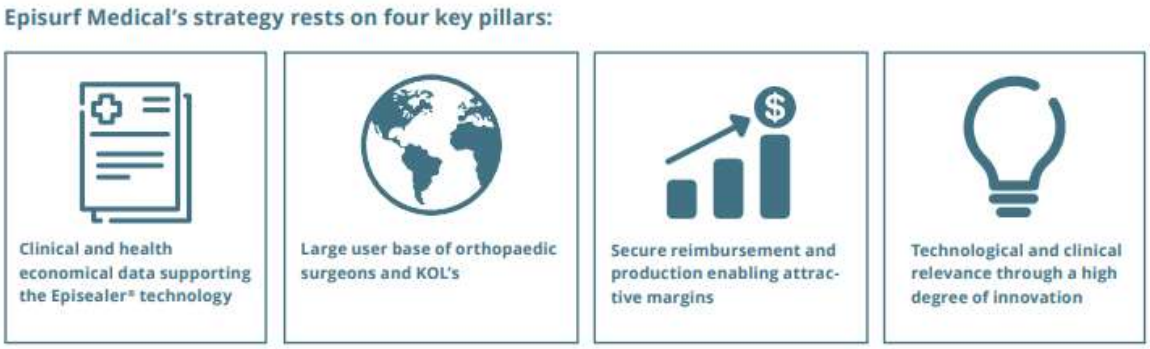
Dividend
The Board of Directors proposes that Episurf Medical does not pay a dividend for the financial year 2020.

Share information
There are two types of shares in the Company. Each Class A-share carries three votes and entitles the holder to three votes at the General Meeting, and each class B-share carries one vote and entitles the holder to one vote at the General Meeting. Class B shares have traded on Nasdaq Stockholm's Small Cap segment since 11 June 2014 with the ticker EPIS B.

31 December 2020	
A-shares	971,024
B-shares	221,069,519
Total number of shares	**222,040,543**
Total number of votes	**223,982,591**

The ten largest shareholders in Episurf Medical at December 31, 2020

Name	**No. Of A-shares**	**No. Of B-shares**	**Share capital in %**	**Voting rights, %**
Skandinaviska Enskilda Banken, W8IMY	-	10,563,208	4.8	4.7
Försäkringsbolaget, Avanza Pension	-	10,474,756	4.7	4.7
Fjärde AP-Fonden	-	10,450,000	4.7	4.7
Nordnet Pensionsförsäkring AB	-	8,090,452	3.6	3.6
Banque Pictet & Cie (Europe) SA, W8IMY	-	7,980,002	3.6	3.6
Tredje AP-Fonden	-	7,900,000	3.6	3.5
SEB Life International	-	6,000,000	2.7	2.7
Andra AP-Fonden	-	5,400,000	2.4	2.4
Unionen	-	5,400,000	2.4	2.4
CBNY-National Financial Services LL	-	5,343,977	2.4	2.4
Total, 10 largest shareholders	**-**	**77,602,395**	**35.0**	**34.6**
Summary, other	**971,024**	**143,467,124**	**65.0**	**65.4**
Total	**971,024**	**221,069,519**	**100.0**	**100.0**



Other information

Significant risks and uncertainty factors
Episurf Medical's material business risks, for the Group as well as for the Parent Company, are to obtain regulatory approval and market acceptance, the outcome of clinical studies, the ability to protect intellectual property rights, the possibility to obtain the correct reimbursement for the Group's products and dependence on key personnel and partners. The Company does not see any new material risks for the upcoming three months. For a more detailed description of significant risks and uncertainties, refer to Episurf Medical's annual report.

The Board of Directors and the CEO hereby give their assurance that the Interim Report gives a true and fair view of the business activities, financial position and results of operations for the Group and Parent Company, and describes significant risks and uncertainty factors to which the Parent Company and the companies included in the Group are exposed.

Stockholm, 18 February 2021

Dennis Stripe Board chairman	Wilder Fulford Board member
Christian Krüeger Board member	Leif Ryd Board member

Laura Shunk
Board member

Pål Ryfors
CEO

The information in this interim report has not been reviewed by the company's auditors.

Consolidated income statement

mSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating income				
Net sales	1.5	1.3	5.0	4.9
Other operating income	1.6	0.1	2.0	0.5
Total income	**3.1**	**1.4**	**7.0**	**5.4**
Operating expenses				
Merchandise	-1.5	-1.1	-5.1	-4.5
Other expenses	-8.8	-10.8	-33.5	-39.7
Personnel costs	-8.0	-7.4	-28.3	-28.1
Capitalised development expenditure	1.0	1.4	4.1	5.5
Depreciation of equipment and non-current assets	-1.8	-2.2	-7.6	-7.4
Total operating expenses	**-19.1**	**-20.0**	**-70.4**	**-74.2**
Operating loss	**-16.0**	**-18.6**	**-63.4**	**-68.9**
Financial items				
Financial income, other	-	-	0.1	0.5
Financial expenses, other*	-0.2	-0.2	-0.7	-1.5
Results from net financial items	**-0.2**	**-0.2**	**-0.5**	**-0.9**
Loss before tax	**-16.2**	**-18.7**	**-63.9**	**-69.8**
Tax on income for the period	0.0	0.0	0.0	0.0
Loss for the period	**-16.2**	**-18.7**	**-63.9**	**-69.8**
Net loss attributable to:				
Parent company shareholders	-16.2	-18.7	-63.9	-69.8
Earnings per share before and after dilution, SEK	-0.08	-0.21	-0.39	-1.04
Average number of shares	196,672,337	90,930,755	162,078,945	67,343,023

* During the financial year 2019 the Group has taken a cost of SEK 0.7m, which relates to the termination of the financing agreement with European Select Growth Opportunities Fund, that the company has terminated.

Consolidated statement of comprehensive income

mSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net profit (loss)	**-16.2**	**-18.7**	**-63.9**	**-69.8**
Other comprehensive income for the period:				
Other comprehensive income that may be reclassified subsequently to profit or loss for the period, net of tax	0.2	-0.9	0.1	-0.1
Total comprehensive income (loss) for the period	**-16.0**	**-19.6**	**-63.8**	**-69.9**
The period's loss and comprehensive income attributable to				
Owners of the parent	**-16.0**	**-19.6**	**-63.8**	**-69.9**

Condensed consolidated balance sheet

mSEK	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets		
Intangible fixed assets		
Capitalised development costs	6.7	8.0
Patents	14.1	13.5
Total intangible fixed assets	**20.8**	**21.5**
Equipment and right-of use asset		
Right-of-use asset	3.8	5.9
Equipment	0.0	0.1
Total equipment and right-of-use asset	**3.8**	**6.0**
Non-current financial assets		
Other non-current financial assets	0.5	0.0
Total non-current financial assets	**0.5**	**0.0**
Total non-current assets	**25.1**	**27.5**
Current assets		
Inventories	2.0	1.8
Trade receivables	0.6	0.7
Other receivables	0.9	1.3
Deferred expenses and accrued income	1.9	1.1
Cash	155.0	25.3
Total current assets	**160.3**	**30.2**
TOTAL ASSETS	**185.4**	**57.6**
EQUITY AND LIABILITIES		
Equity	**169.5**	**41.4**
Liabilities		
Non-current liabilities		
Non-current liabilities	0.6	0.0
Non-current lease liability	1.5	3.5
Total long-term liabilities	**2.1**	**3.5**
Current liabilities		
Trade payables	5.4	6.0
Current lease liability	2.4	2.4
Other liabilities	2.3	1.2
Accrued liabilities and deferred income	3.8	3.2
Total current liabilities	**13.9**	**12.7**
Total liabilities	**16.0**	**16.2**
TOTAL EQUITY AND LIABILITIES	**185.4**	**57.6**
Equity ratio	91.4%	71.9%
Equity per share, SEK	0.76	0.46

Consolidated statement of changes in equity

	Attributable to equity holders of the parent				
mSEK	**Share capital**	**Other contributed capital**	**Reserves**	**Accumulated deficit incl. loss for the year**	**Total equity**
Opening equity January 1, 2019	**10.5**	**346.0**	**0.5**	**-312.1**	**44.8**
Reclassification reserves*		-1.1	-0.7	1.8	-
Total comprehensive income for the period				-69.8	-69.8
Total			-0.1		-0.1
Total comprehensive income			**-0.1**	**-69.8**	**-69.9**
Transactions with shareholders					
Issue in-kind, for conversion of debt**	0.7	2.2			2.9
New share issue, net after issue expenses***	16.1	47.4			63.6
Total transactions with shareholders	**16.8**	**49.7**			**66.5**
Closing equity December 31, 2019	**27.3**	**394.6**	**-0.4**	**-380.1**	**41.4**
Opening equity January 1, 2020	**27.3**	**394.6**	**-0.4**	**-380.1**	**41.4**
Total comprehensive income for the period				-63.9	-63.9
Other comprehensive income			0.1		0.1
Reclassification reserves*			0.0	-0.0	0.0
Total comprehensive income			**0.1**	**-63.9**	**-63.8**
Transactions with shareholders					
New share issue, net after issue expenses****	28.3	100.5			128.8
Directed share issue, net after issue expenses*****	11.1	50.9			61.9
Conversion warrants, net after issue expenses******	0.1	0.2			0.2
Warrants issued to staff		0.1		0.8	0.9
Total transactions with shareholders	**39.4**	**151.6**		**0.8**	**191.8**
Closing equity December 31, 2020	**66.7**	**546.2**	**-0.2**	**-443.2**	**169.5**

* Correction of previous classification.
** See more information about the financing agreement under financial information on page 7.
*** Issue expenses amount to SEK 11.6m.
**** Issue expenses amounts to SEK 12.4m.
*****Issue expenses amounts to SEK 4.3m.
****** Expenses amounts to SEK 0.0m.

Consolidated cash flow statement

mSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating activities				
Operating loss	-16.0	-18.6	-63.4	-68.9
Adjustments for items not included in cash flow				
Depreciation	1.8	2.2	7.6	7.4
Employee stock option expenses	0.6	0.0	1.4	0.1
Interest received	0.0	0.0	0.0	0.0
Interest paid	-0.0	-0.1	-0.0	-0.3
Cash flow from current operations before change in working capital	**-13.5**	**-16.5**	**-54.3**	**-61.7**
Change in working capital				
Decrease/increase in inventory	-0.2	-0.1	-0.2	-0.3
Decrease/increase in trade receivables	0.6	-0.1	0.2	0.1
Decrease/increase in current receivables	-1.0	-0.7	-0.8	-0.5
Decrease/increase in current liabilities	2.4	1.9	1.0	3.3
Change in working capital	**1.7**	**1.1**	**0.2**	**2.6**
Cash flow from operating activities	**-11.8**	**-15.4**	**-54.1**	**-59.2**
Investing activities				
Investments of intangible fixed assets	-1.0	-1.4	-4.6	-5.5
Decrease/increase in non-current financial assets	-0.5	-	-0.5	-
Cash flow from investing activities	**-1.5**	**-1.4**	**-5.1**	**-5.5**
Financing activities				
Issuance of share options	-	-	0.1	-
Amortisation of lease debt	-0.5	-0.5	-2.2	-2.0
New share issue	62.2	-	190.9	63.6
Cash flow from financing activities	**61.6**	**-0.5**	**188.8**	**61.6**
Cash flow for the period	**48.3**	**-17.3**	**129.7**	**-3.0**
Cash and cash equivalents at beginning of period	106.6	42.6	25.3	28.3
Cash and cash equivalents at end of period	**155.0**	**25.3**	**155.0**	**25.3**

Income statement, Parent Company

mSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating income				
Net sales	0.2	0.1	0.5	0.6
Other operating income	1.5	-	1.5	0.0
Total income	**1.6**	**0.1**	**2.0**	**0.6**
Operating costs				
Other external expenses	-6.3	-7.3	-23.8	-26.5
Personnel costs	-4.0	-3.3	-13.7	-12.6
Capitalised development expenditure	0.2	0.1	1.1	1.1
Amortisation of intangible assets and depreciation of property, plant and equipment	-0.7	-0.7	-2.5	-2.6
Total operating costs	**-10.8**	**-11.2**	**-38.9**	**-40.6**
Operating loss	**-9.2**	**-11.1**	**-36.9**	**-40.0**
Financial items				
Financial income, other	0.0	-	0.0	0.0
Financial expenses, other*	-0.0	-0.0	-0.0	-0.9
Results from net financial items	**0.0**	**-0.0**	**0.0**	**-0.9**
Loss before tax	**-9.2**	**-11.1**	**-36.8**	**-40.9**
Tax on income for the period	-	-	-	-
Loss at end of the period	**-9.2**	**-11.1**	**-36.8**	**-40.9**

* During the financial year 2019 the Group has taken a cost of SEK 0.7m, which relates to the termination of the financing agreement with European Select Growth Opportunities Fund, that the company has terminated.

Parent Company statement of comprehensive income

mSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net profit	**-9.2**	**-11.1**	**-36.8**	**-40.9**
Other comprehensive income for the period:				
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	**-9.2**	**-11.1**	**-36.8**	**-40.9**

Condensed balance sheet, Parent Company

mSEK	31 Dec 2020	31 Dec 2019
ASSETS		
Fixed assets		
Intangible fixed assets		
Capitalised development costs	6.7	8.0
Total intangible fixed assets	**6.7**	**8.0**
Tangible fixed assets		
Equipment	0.0	0.0
Total tangible fixed assets	**0.0**	**0.0**
Financial assets		
Shares in group companies	162.9	137.4
Long-term receivables from group companies	33.2	20.0
Other non-current financial receivables	0.5	-
Total financial assets	**196.6**	**157.4**
Total fixed assets	**203.2**	**165.4**
Current assets		
Short term receivables		
Other receivables	0.6	0.8
Prepaid expenses and accrued income	1.7	0.9
Total short term receivables	**2.3**	**1.6**
Cash	134.8	18.1
Total current assets	**137.1**	**19.8**
TOTAL ASSETS	**340.3**	**185.2**
EQUITY AND LIABILITIES		
Equity	**332.4**	**178.2**
Liabilities		
Current liabilities		
Trade payables	3.5	4.3
Other liabilities	1.4	0.4
Accrued liabilities and deferred income	3.1	2.3
Total current liabilities	**7.9**	**7.0**
Total liabilities	**7.9**	**7.0**
TOTAL EQUITY AND LIABILITIES	**340.3**	**185.2**

Statement of changes in equity, Parent Company

mSEK	Share capital	Development fund	Share premium reserve	Loss brought forward	Loss for the period	Total equity
Opening equity January 1, 2019	**10.5**	**7.9**	**344.9**	**-181.0**	**-29.7**	**152.6**
Loss for the period					-40.9	-40.9
Disposition according to AGM						
Loss brought forward				-29.7	29.7	-
Development fund		-0.4		0.4		-
Total comprehensive loss for the period		**-0.4**		**-29.2**	**-11.2**	**-40.9**
Transactions with shareholders						
Issue in-kind, for conversion of debt*	0.7		2.2			2.9
New share issue, net after issue expenses**	16.1		47.4			63.6
Total transactions with shareholders	**16.8**		**49.7**			**66.5**
Closing equity December 31, 2019	**27.3**	**7.4**	**394.6**	**-210.2**	**-40.9**	**178.2**
Opening equity January 1, 2020	**27.3**	**7.4**	**394.6**	**-210.2**	**-40.9**	**178.2**
Loss for the period					-36.8	-36.8
Disposition according to AGM						
Loss brought forward				-40.9	40.9	-
Development fund		-0.8		0.8		-
Total comprehensive loss for the period		**-0.8**		**-40.1**	**4.1**	**-36.8**
Transactions with shareholders						
New share issue, net after issue expenses***	28.3		100.5			128.8
Directed share issue, net after issue expenses****	11.1		50.9			61.9
Conversion warrants, net after issue expenses*****	0.1		0.2			0.2
Warrants issued to staff			0.1			0.1
Total transactions with shareholders	**39.4**		**151.6**			**191.0**
Closing equity December 31, 2020	**66.7**	**6.7**	**546.2**	**-250.4**	**-36.8**	**332.4**

* See more information about the financing agreement under financial information on page 7.
** Issue expenses amounts to SEK 11.6m.
*** Issue expenses amount to SEK 12.4m.
****Issue expenses amounts to SEK 4.3m.
***** Expenses amounts to SEK 0.0m.

Cash flow statement, Parent Company

mSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Current operations				
Operating loss	-9.2	-11.1	-36.9	-40.0
Adjustments for items not included in cash flow				
Depreciation	0.7	0.7	2.5	2.6
Interest received	0.0	-	0.0	0.0
Interest paid	-0.0	-0.0	-0.0	-0.0
Cash flow from current activities before changes in working capital	**-8.5**	**-10.4**	**-34.4**	**-37.4**
Changes in working capital				
Decrease/increase in current receivables	-1.2	-0.4	-0.7	-0.4
Decrease/increase in current liabilities	2.0	1.7	1.0	2.7
Total changes in working capital	**0.8**	**1.3**	**0.3**	**2.3**
Cash flow from operating activities	**-7.7**	**-9.1**	**-34.1**	**-35.2**
Cash flow from investing activities				
Acquisition subsidiary	-	-	-	-0.1
Acquisition of intangible assets	-0.2	-0.1	-1.1	-1.1
Shareholder contribution	-5.5	-	-25.5	-30.5
Repaid group companies	6.2	0.4	36.1	33.9
Loan group companies	-10.6	-5.4	-49.2	-30.0
Decrease/increase in other non-current receivables	-0.5	-	-0.5	-
Cash flow from investing activities	**-10.6**	**-5.2**	**-40.3**	**-27.9**
Cash flow from financing activities				
Issuance of share options	-	-	0.1	-
New share issue	62.2	-	190.9	63.6
Cash flow from financing activities	**62.2**	**0.0**	**191.0**	**63.6**
Cash flow for the period	**43.8**	**-14.3**	**116.6**	**0.6**
Cash and cash equivalents at beginning of period	91.0	32.4	18.1	17.6
Cash and cash equivalents at end of period	**134.8**	**18.1**	**134.8**	**18.1**

Notes

Note 1 Accounting policies

The interim report for the Group has been prepared in accordance with IAS 34 Interim Reports and the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act.

The Group's accounting policies are unchanged from previous year and these correspond with the accounting principles that were used in the preparation of the most recent Annual Report with the exception of the additional applications principles for accounting for license revenues described below. Information according to IAS 34.16A is included in these financial statements and related notes as well in other parts of this interim report.

License revenue refers to the out-licensing of the parent company's patented software platform µiFidelity®. When licensing the Group's intellectual property (IP) to a customer, a distinction is made between two types of licensing with associated distinct performance obligation that affect whether revenue is to be reported at a certain time or accrued over time:

a) Right to access IP - the agreement requires, or the customer can reasonably expect, that the Group will take measures that significantly affect the rights the customer is entitled to, that these measures directly affect the customer and that the measures do not involve the transfer of goods/services to the customer when the measures are carried out. The performance obligation and thus the income is reported over time, usually linearly.
b) Right to use IP - the customer only has the right to use the IP in its existing state at the time when the right was granted to the customer. The performance obligation is fulfilled initially, at that time.

In accordance with the terms of the license agreement, it has been determined to be a right to use IP and recognised at the effective date of the contract.

Capitalised expenditures for development of products

Expenditure for development, where research results or other knowledge are applied to achieve new or improved products or processes, is recognised as an asset in the Statement of Financial Position only if the following conditions are satisfied:

1. It is technically possible to complete the intangible asset and use or sell it,
2. The Company intends to complete the intangible asset and use or sell it,
3. The conditions to use or sell the intangible asset are in place,
4. The Company demonstrates how the intangible asset will generate likely future economic benefits,
5. There are adequate technological, economic and other resources to complete development and to use or sell the intangible asset, and
6. The expenditure relating to the intangible asset during its development can be measured reliably

Directly related expenditure that is capitalised mainly consists of expenditure from subcontractors and expenses for employees.

Other development expenditure that does not satisfy these criteria is expensed when it arises. Development expenditure previously expensed is not recognised as an asset in subsequent periods. The group has assessed all the above criteria to be fulfilled during the period, the costs for development that has been incurred is therefore activated.

Financial assets and liabilities

Other financial assets and liabilities in the balance sheet are reported as acquisition value, which is judged to be a good approximation to the fair value of the items.

Note 2 Breakdown of net sales by country is as follows

mSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Germany	1.1	0.8	3.9	3.4
Sweden	0.0	0.1	0.1	0.1
Other countries in Europe	0.3	0.3	1.0	1.3
Other countries outside of Europe	0.0	-	0.0	0.1
Total net sales	**1.5**	**1.3**	**5.0**	**4.9**

Definitions

General:	All amounts in the tables are presented in mSEK unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.
Net debt/equity ratio:	Net debt at the end of the period divided by equity at the end of the period.

Glossary

Approved orders:	Orders which have been approved for surgery, are in production and will be invoiced.
Arthritis:	See Osteoarthritis.
Arthroscopy:	Inspection of the inside of a joint with the help of an arthroscope. An instrument is introduced through a small cut to investigate the inside of the joint and possibly correct any problems (a type of keyhole surgery).
Cartilage:	Shock absorbing and friction reducing tissue. This tissue that covers the end of bones and allows movement with low friction.
Cartilage defect of grade III (ICRS scale):	Lesion through the cartilage, exposing the bone.
Cartilage defect of grade IV (ICRS scale):	Defect extending down to >50% of the cartilage depth.
CE marking:	A CE mark means that the manufacturer or importer has the formal approvals necessary to market and sell the product in the European Economic Area.
Clinical results:	Outcome from clinical treatment of humans, where parameters such as efficacy and safety are evaluated.
Cobalt chrome:	A metal alloy mainly consisting of cobalt and chromium, commonly occurring in metal alloys used in knee prostheses.
Debridement:	Removal of damaged tissue.
Degenerative origin:	Conditions in which the cells, tissues or organs deteriorate and lose function. In degenerative joint disease, the deterioration is due to wear, tear or breakdown of cartilage.
FDA:	US Food and Drug Administration.
Focal cartilage defect:	A cartilage defect in a well-defined area.
Femoral condyles:	Two bony protuberances on the thighbone side of the knee joint that articulate with the shinbone. The name originates from the anatomical terms femur (thighbone) and condyle (articular head).
Gross order intake:	Gross order intake represents the aggregated value of Episealer® orders received and approved by responsible surgeon during the relevant period.
Hydroxyapatite:	A mineral that is the major component of human bone tissue and the main mineral of dental enamel and dentin.
Invasive treatment alternative:	Treatments that require a surgical procedure.
Micro fracturing:	A biological surgical technique that can be used in treatment of focal cartilage defects (not extensive osteoarthritis) in an attempt to stimulate the growth of new cartilage.
Mosaicplasty:	A biological surgical technique for treatment of cartilage and underlying bone defects where cylindrical bone and cartilage plugs are harvested from less weight-bearing surfaces of the knee joint and inserted into the damaged area.

MRI:	Magnetic resonance imaging, a medical imaging technique where images acquired using a strong magnetic field allows the user to get three-dimensional image data of the patient.
OA:	See osteoarthritis.
Order backlog:	Order backlog represents all orders that have been booked but where no revenue has been recognised.
Orthopaedics:	The medical specialty that focuses on injuries and diseases of the body's musculoskeletal system. This complex system includes bones, Joints, ligaments, tendons, muscles and nerves.
Osteoarthritis:	A type of joint disease that is characterised by loss of joint function with varying destruction of joint cartilage and the underlying bone.
Osteochondral defect:	Cartilage and underlying bone defect.
Prosthesis:	An artificial device that replaces a missing or injured body part, such as artificial arm or leg. The term prosthesis is also used for certain of the implants that are used to repair joints, such as hip and knee prostheses,
Reimbursement:	Reimbursement is a word that is used generally in the healthcare industry to describe the payment systems that apply to healthcare costs in various countries.
TKA:	Total knee arthroplasty, total knee joint replacement, which is a surgical procedure primarily used to relieve arthritis in which the knee joint is replaced with artificial parts (prostheses).
Traumatic damage:	Damage caused by an outside force, such as fall injuries.
UKA:	Unicompartmental knee arthroplasty, partial knee joint replacement which is a surgical procedure primarily used to relieve arthritis in one of the knee compartments. Parts of the knee joint are replaced with artificial parts (prostheses).

This is Episurf Medical

– a unique solution for every patient

EPISURF WAS FOUNDED IN 2009 on a commitment to offer people with painful joint injuries a more active and healthy life through customised treatment alternatives. We put the patient in the centre of the design of implants and surgical instruments. By combining advanced 3D imaging technology with the latest manufacturing technologies, we are able to adapt not only each implant to the patient's injury and anatomy, but also the surgical instruments used. In this way, we can ensure that each patient receives treatment that is perfectly suited to his or her anatomy and, thus, ensure a faster, more secure, and better patient-specific treatment for a more active and healthy life.

A proprietary web-based IT platform for individualised design and surgical pre-planning

Episurf Medical's scalable µiFidelity® system has been developed for damage assessment, surgical pre-planning and cost-effective patient customisation of implants and associated surgical instructions. In a first step, the company's main focus has been on early stage arthritic changes in the knee joint. This is now followed by lesions in the second joint, the ankle.

Individualised implants with a focus on early stages of arthritis

Episurf Medical has three types of knee implants on the market

» Episealer® Condyle Solo for the treatment of localised cartilage and underlying bone defects on the femoral condyles of the knee joint.
» Episealer® Trochlea Solo for the treatment of localised cartilage and underlying bone defects in the area behind the patella (the trochlea area).
» Episealer® Femoral Twin for the treatment of elongated localised cartilage and underlying bone defects both on the femoral condyles and in the trochlea area of the knee joint.

Episurf Medical has one implant for the ankle on the market

» Episealer Talus® intended for osteochondral lesions of the talar dome of the ankle joint

Patient-specific surgical instruments

Every product is delivered with our individualised surgical drill guide Epiguide® and a set of associated surgical instrument. We also offer a surgical drill guide, Epiguide® MOS, that is designed for use in mosaicplasty surgery for treatment of cartilage and deep underlying bone defects in the knee joint. Further, for the ankle Episurf Medical offers an individualised sawguide, Talus Osteotomy Guide. It is intended to help the surgeon to find the correct position and depth when performing an osteotomy of the medial malleolus for access to the talar dome of the ankle joint.

Patents and patent applications

The generation of new intellectual property and the ongoing maintenance of current IP is of paramount importance for Episurf Medical to ensure that Episurf Medical's proprietary, existing technologies and future innovations are well protected. In total Episurf Medical has approximately 180 patents and patent applications worldwide, distributed over 20 patent families.

» The first Episealer® surgery in a human was performed in December 2012. At the end of 2020, a total of 825 surgeries had been performed.
» Episurf Medical's head office is located in Stockholm and the company has an in-house sales organisation in Europe
» The share (EPIS B) has been listed on Nasdaq Stockholm since June 2014

Financial calendar

Interim Report January-March 2021	29 April 2021
AGM	10 May 2021
Interim Report April-June 2021	16 July 2021
Interim Report July-September 2021	29 October 2021
Year-End Report 2021	11 February 2022

This is a translation of the original Swedish interim report. In the event of a discrepancy between this translation and the Swedish original, the Swedish interim report takes precedence.

This information is information that Episurf Medical AB (publ) is obliged to make public, pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, on 19 February 2021 at 08.30 (CET).

Annual General Meeting 2021
The 2021 Annual General Meeting will be held on Monday 10 May 2021. Notice of the AGM will be published in March 2021 and will also be available at www.episurf.com.

Annual Report 2020
The Annual Report and the Corporate Governance Report are expected to be published on 31 March 2021 on www.episurf.com and will be sent out by post to shareholders that have so requested. The documents will also be available at the company's head office.

The following analysts follow Episurf Medical's development:

DNB Analyst: Patrik Ling
Redeye Analyst: Anders Hedlund

IR-contact

Pål Ryfors
CEO
Phone: +46 (0) 709 623 669
E-mail: pal.ryfors@episurf.com

Veronica Wallin
CFO
Phone: +46 (0) 700 374 895
E-mail: veronica.wallin@episurf.com

Episurf Medical AB (publ) org.nr 556767-0541
Karlavägen 60, 114 49 Stockholm, Sverige
www.episurf.com